

## Frequently Asked Questions (FAQs) on Base Rate (BR).

**Q1. What is Base Rate (BR) and how is it different from Base Lending Rate (BLR)/ Base Financing Rate (BFR)?**

- A1.**
- (i) BR is the new reference rate introduced by BNM for pricing of retail loans/financing/pegged to BLR/BFR effective 2<sup>nd</sup> Jan 2015.
  - (ii) Based on the BR framework, banks will use funding costs only as their benchmark to quote their base rate.
  - (iii) Maybank's BR is computed based on its internal cost of funds which is aligned with the BNM reference rate framework. The same BR is applicable for both conventional loans and Islamic financing.

The effective interest/profit rate to the customer under BLR/BFR and BR is currently the same.

**Q2. What are the objectives for changing BLR/BFR to BR?**

**A2.** The objectives of BR are:

- (i) To promote transparency, thus enabling customers to make informed decision based on the BR and the spread provided by banks
- (ii) To allow banks to be more market driven and responsive to changes in the cost of funds arising from monetary policy and market funding conditions
- (iii) To encourage more disciplined and efficient pricing practices for retail loans

*Note: The effective interest/profit rate for new loans/financing under BR remains the same.*

**Q3. How will Maybank price its loan/financing from 2<sup>nd</sup> Jan 2015?**

**A3.** The Bank will offer BR Plus spread for its loans/financing from 2<sup>nd</sup> Jan 2015.

*Note: This is because BR covers only the funding cost which is less than the Bank's Total Cost.*

**Q4. Can Maybank's BR and interest/profit spread differ from other banks?**

**A4.** Yes, each bank's BR is different as they can adopt different benchmarked cost of funds i.e. internal cost of funds, money market rates of 1-month/3-month KLIBOR or any of these combinations based on their funding strategies.

Similarly, the interest/profit spread differs as each bank has its own cost structure, operates based on different business models and has different risk profiles and appetite.

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**Q5. What types of loans/financing are required to use BR?**

**A5.** Effective 2<sup>nd</sup> January 2015, all new loans/financing previously pegged to BLR/BFR and applied by individual customers will be based on BR.

Examples:

- Mortgages
- Units trust (ASB) and share margin financing
- Personal financing and OD facilities

For new Islamic financing, the same BR will be used for its Sale Price.

However, loans/financing extended to business entities and for HP/AITAB are excluded from using BR.

**Q6. Is there any change to an existing loan/financing that is pegged to BLR/BFR?**

**A6.** The existing loan/financing remains pegged to the prevailing BLR/BFR rate until settlement/expiry or upon review, where applicable.

For Islamic financing, the existing Sale Price remains at the prevailing BFR.

**Q7. When will the Bank adjust its BR?**

**A7.** The Bank will adjust its BR when there are changes in monetary policy (such as OPR and SRR) and funding conditions.

**Q8. What if a customer applied for a loan/financing before 2<sup>nd</sup> Jan 2015 but it is approved thereafter?**

**A8.** For loans/financing applied before 2<sup>nd</sup> Jan 2015 and approved thereafter, the prevailing BLR/BFR will be applicable.

**Q9. Will an existing personal OD facility be based on BR upon renewal?**

**A9.** Yes, a personal OD facility will be based on BR upon renewal.

**Q10. What is the treatment for an existing account that has been rescheduled/ restructured?**

**A10.** The account will be based on BR.

*Note: BR Plus with higher spread may apply in this instance to reflect the credit risk associated with the deterioration in credit worthiness of the customer, where relevant.*